



California Public Utilities Commission

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News Release

FOR IMMEDIATE RELEASE

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PUC VOTES TO OPPOSE PROPOSITION 80 FOR CREATING UNNECESSARY STATUTORY AUTHORITY AND LIMITING NECESSARY FLEXIBILITY TO ADDRESS CHANGES IN CALIFORNIA'S ELECTRICITY SECTOR

SAN FRANCISCO, September 8, 2005 - The California Public Utilities Commission (PUC) today voted unanimously to oppose Proposition 80, in part because the regulatory measures on electricity providers that it would impose are already underway at the Commission under existing statutory authority.

The Commission determined that the initiative is duplicative in a number of ways to work already underway at the Commission, including regulating Energy Service Providers to ensure there are adequate electricity resources to meet demand; developing long-term plans and policies under which the utilities purchase power, including rules ensuring sufficient electricity resources; adopting the "loading order" (a priority sequence for the ways in which the state responds to increasing demand for power emphasizing efficiency and clean generation); increasing the state's purchase of renewable power through the Renewables Portfolio Standard (RPS) program; and developing a hybrid market for generation supply.

"Proposition 80 is bad for consumers and the environment," said PUC President Michael R. Peevey. "The Commission does not need additional statutory authority to continue ensuring reliable and reasonably priced electricity and codifying our recent actions in statute is overly prescriptive and complicated. Proposition 80 would eliminate needed flexibility to make changes in the electricity market structure if conditions change in the future."

Commissioner Dian M. Grueneich added, "We need to be cautious to avoid the mistakes of AB 1890, which restructured California's electricity industry through difficult-to-undo legislation without necessary safeguards or off-ramps and brought on the Energy Crisis of 2000-01. If approved, Proposition 80 may be amended only through a two-thirds vote of each house of the

Legislature and I am concerned that this inflexibility will limit California's ability to expand and refine programs like the Renewables Portfolio Standard in the future."

Sounding a similar theme, Commissioner Geoffrey F. Brown stated, "Proposition 80 is unwise because it locks in changes to the electricity market that would make it virtually impossible for the Legislature or the PUC to modify in the future. Its inflexibility does not allow for future market and technological opportunities."

Added Commissioner John Bohn, "If we learned anything during the electricity crisis, it's that it is important for policymakers to have flexibility to adjust policy and regulation in response to rapidly changing conditions. Proposition 80 severely limits this flexibility."

"Proposition 80 would throw our entire procurement process into limbo, reverse course on the Commission's efforts to build up our critical infrastructure, undermine our aggressive goals we've adopted for energy efficiency, and weaken our efforts to promote renewable energy," said Commissioner Susan P. Kennedy.

The Commission detailed specific areas of concern over Proposition 80, including:

- **Duplicates Procurement and Renewables Portfolio Standard (RPS) Authority:** The Commission already has authority granted under AB 57 (Wright, 2002) to develop a procurement planning process for the investor-owned utilities. Additional statutory authority is unnecessary and the authority granted could make it difficult for the Commission to change course in the procurement planning process if necessary due to changing conditions in the electricity sector. Proposition 80 also moves the utilities' 20 percent RPS obligation deadline from 2017 to 2010, but this acceleration is already underway through the joint-agency Energy Action Plan.
- **Terminates direct access:** As outlined in the Commission's Energy Action Plan II, the Commission supports continuing the existing competitive retail market and re-opening that market in a core/non-core structure as soon as possible. Proposition 80 would permanently freeze the current direct access market, which does not resolve utility concerns about what their customer base will be going forward as the potential return of direct access customers to utility service remains unknown.
- **Harms Community Choice Aggregation (CCA):** Energy Service Providers (ESP) that serve larger customers in the current direct access market are expected to assist cities and counties with their CCA efforts. However, by regulating them and freezing direct access

permanently, the ESP business will not have future growth opportunities in California and is likely to leave the state and not be available to assist with CCA efforts.

- **Eliminates Dynamic Pricing:** By eliminating dynamic pricing for existing small commercial and residential customers, Proposition 80 reduces California's ability to reduce peak demand through time-sensitive pricing and by maximizing the use of advanced metering infrastructure currently under consideration at the Commission. Removing this option will force additional investment instead in costly and heavily polluting peaking generation.

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